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Taconic
TELEPHONE CORP.

Taconic Place, Taconic, New York 12017-0784 518-392-5000
Taconic Place, Taconic, New York 12017-0784 518-392-4000

May 6, 1996

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Room 222
1919 M Street, NW
Washington, DC 20554

RECEIVE

MAY 7 1996

COMMUNICATIONS SECTION

-----X
In the Matter of :
Federal-State Joint Board :
on Universal Service :
-----X

CC Docket No. 96-45

Dear Mr. Caton:

Enclosed are reply comments of Taconic Telephone Corp. in response to the Notice of Proposed Rulemaking, released on March 8, 1996, in the above referenced docket.

Any questions may be directed to myself at 518-392-1261 or Irene Waldorf at 518-392-1222.

Respectfully submitted,



Robert D. Gniadek
Vice President

Enclosures

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BEFORE THE
Federal Communications Commission

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In the Matter of :
Federal-State Joint Board :
on Universal Service :
----- X

CC Docket No. 96-45

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REPLY COMMENTS OF TACONIC TELEPHONE CORP. IN RESPONSE TO THE
NOTICE OF PROPOSED RULEMAKING AND ORDER ESTABLISHING JOINT BOARD

I. INTRODUCTION

Taconic Telephone Corp. ("Taconic" or the "Company") hereby submits its reply comments to the Notice of Proposed Rulemaking ("NPRM") issued by the Federal Communications Commission ("FCC" or "Commission") on March 8, 1996 in the above proceeding. The NPRM was released to implement Section 254 of the Communications Act of 1934 as amended by the Telecommunications Act of 1996 (the "Act").¹

The Act endorses the traditional universal service policy that telecommunications services should be available to consumers in all parts of the United States at just, reasonable and affordable rates. The NPRM, which was issued to implement the Congressional objectives set forth in the Act, was initiated to

- define the services that will be supported by Federal universal support mechanisms;
- define those support mechanisms; and
- otherwise recommend changes to applicable regulations to implement the universal service directives of the Act.

¹ Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996). The Act will be codified at 47 U.S.C. §§ 151 et seq.

The Act also requires that the Commission appoint a Federal-State Joint Board to recommend any necessary changes to FCC regulations in order to implement the Act. The Act specifies that the Joint Board and the FCC must base any policies applicable to the preservation and advancement of universal service on the following principles:

- the provision of "quality services" at "just, reasonable, and affordable rates";
- nationwide access to "advanced telecommunications and information services";
- access by consumers in "rural, insular, and high cost areas" to telecommunications and information services "reasonably comparable" to those in "urban" areas and at rates that are "reasonably comparable" to "urban" rates;
- adoption of a requirement that all providers of telecommunications services make "equitable and nondiscriminatory" contributions to the preservation of universal service;
- establishment of "specific and predictable mechanisms to provide adequate and sustainable support for universal service";
- access to advanced services for health care providers, schools, and libraries;
- such other principles as the Joint Board determines are necessary and appropriate for the protection of the public interest, convenience, and necessity, consistent with the purposes of the Act.

Taconic generally supports the principles enunciated in the NPRM. However, as more specifically addressed in these comments, the Company urges the Commission to apply these principles in a manner that ensures fair application of the guidelines so that customers of small, rural telephone companies such as Taconic can continue to operate in the competitive telecommunications

marketplace.

To that end, Taconic recommends that the actions taken in this docket should be consistent with the general comments provided.

II. DISCUSSION

1. Definition of Universal Service

The Company recommends that the definition of Universal Service should be expanded to include White Page listings, access to directory assistance and Telephone Relay Service ("TRS"). These services are an integral component of day-to-day telephone use and, accordingly, should be incorporated into the concept of Universal Service.

Contrary to the recommendations of some parties in this proceeding, the definition of Universal Service should not be expanded to include high capacity or broadband services at this time. Although these services enable a subscriber to have access to enhanced telephonic capabilities they are not currently basic in nature. Universal Service should be limited to those functions necessary to support quality service at an affordable rate.

Consistent with the criteria set forth in Section 254(c) (1) of the Act, Taconic concurs that there should be provision for periodic review of the definition of Universal Service. Based upon the results of the periodic review, the Company recommends that the definition should be modified to expand or limit the definition to more accurately reflect the then-current telecommunications marketplace.

2. Service Quality and Rates

Service quality associated with provision of Universal Service and rate levels for that service are currently overseen by individual states in most instances. Since states will have the responsibility to designate which carriers will be eligible to receive support, the states should have the responsibility to establish and monitor service quality and rate levels. Ultimately, as the telecommunications market becomes more competitive, Taconic urges the Commission to forebear from regulating the competitive marketplace and to permit the market to operate unencumbered by regulation.

While Taconic does not object to the FCC setting basic guidelines, similar to the principles set forth in this proceeding, the Company does not support direct FCC oversight of the terms of service or the appropriate rate levels. Any necessary regulatory or monitoring functions should be the responsibility of the states.

With respect to rate levels, the Company supports the establishment of an affordability benchmark. Costs above the affordability benchmark would be recovered through an explicit Universal Service fund.

Taconic recommends that there should not be any additional federal reporting requirements associated with the provision of Universal Service. Minimal federal reporting requirements will help reduce unnecessary regulatory burdens in the increasingly competitive telecommunications marketplace. Reduction in the level of unnecessary or duplicative reporting requirements will lead to

lower costs and, ultimately, potentially lower prices for customers.

3. Access to Advanced Telecommunications Services for Schools, Health Care and Libraries

The Company believes that providing access to advanced telecommunications services for schools, health care and libraries is a laudable goal. Indeed, Taconic has actively supported programs targeted to providing enhanced services to libraries and schools in the rural area that the Company serves in upstate New York.

In 1992, Taconic was the first small telecommunications company in the upstate New York Capital District region to provide an interactive distance learning network linking three rural school districts. Additionally, in 1995, Taconic began offering local access to the Internet via a subsidiary company. Soon after, Taconic collaborated with several area libraries to offer free access to the Internet as a means of making the "Information Superhighway" a reality in a primarily rural area.

Taconic believes that only through collaborative partnerships such as these will the goals of the Act be accomplished. In establishing and maintaining a successful network, a strong collaborative effort is needed by all participants. Examples of workable partnerships involve telecommunications providers, educators, the local community and coordinators such as the Board of Cooperative Education Services (BOCES). Additionally, support is needed from state and federal legislators.

Partnerships comprised of these, and other interests will be a vital component in the successful development of a ubiquitous network to the schools, libraries and health care centers of our

country. Taconic believes a separate fund to advance services in these areas should be established. This fund would only support the telecommunications services to be provided in each project. Taconic agrees with the position endorsed by the United States Telephone Association that

[c]ontributions to the fund should be made by all providers of interstate telecommunications services based on interstate retail revenues and would be assessed as a surcharge on the customer bill. The Joint Board and the FCC should also determine, perhaps with the advice of a national organization of educators, how to allocate the fund equitably among the states.²

A separate fund as described above, together with additional funding from educational, health care or private support will advance the services available to all Americans.

4. Funding Mechanism for Universal Service

Taconic recommends that all providers of interstate telecommunications services should be required to contribute to the Universal Service fund based on their provision of retail interstate telecommunications services. This contribution should exclude any revenues derived from the Subscriber Line Charge.

5. Total Service Long Run Incremental Cost

Several commenters³ proposed that the appropriate level of pricing for Universal Service would be set at Total Service Long Run Incremental Cost ("TSLRIC"). Those proposals must be closely scrutinized because there are significant differences in the way various industry participants calculate TSLRIC. Because the

² USTA at p.9.

³ See, for example, AT&T at p.7.

precise definition of TSLRIC is currently unclear, Taconic cannot endorse adoption of TSLRIC. Taconic is particularly concerned that TSLRIC cost-pricing may not, under some definitions, provide for adequate recovery of common costs. In apparent recognition of the divergent methodologies for calculating TSLRIC, the FCC recently issued a Notice of Proposed Rulemaking in which it requested proposed definitions of TSLRIC as well as other terms.⁴ The Company recommends that the issue of TSLRIC cost-based pricing should be addressed in the context of the Commission's separate rulemaking.

6. End User Common Line

Several commenters have suggested that the current end user common line (EUCL) charge be replaced or modified to assist in the removal of implicit Universal Service support.⁵ The FCC's current Part 69 rules allow for the EUCL to be set at a level equal to a company's interstate study area loop costs or the existing caps, whichever is lower. Since the loop costs for rural, independent telephone companies are typically much higher than those for larger, more urban local exchange carriers, such proposals would effectively result in significantly higher EUCL charges for rural consumers as compared to consumers residing in urban and low cost areas. Indeed, the EUCL charges for many Regional Bell Operating Companies are already set at their respective interstate study area loop costs.

These proposals should be rejected because they would

⁴ Notice of Proposed Rulemaking 96-98, issued April 19, 1996.

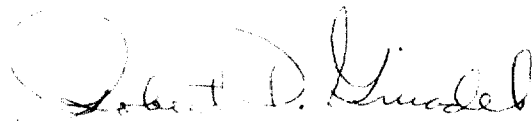
⁵ See, for example, AT&T at p.16, USTA at p.15.

effectively result in an increasing differential between the urban and rural EUCL charges, which the consumer simply regards as another element of their monthly telephone bill. Taconic believes that such a result would be contrary to the Universal Service principles of the Act which requires that "(c)onsumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas **and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.**" (emphasis added).⁶

III. CONCLUSION

For the reasons set forth herein, Taconic urges the Commission to address the matters considered in the NPRM in a manner consistent with the positions supported by the Company.

Respectfully submitted,




Robert D. Gniadek
Vice President

Dated: May 6, 1996

⁶ See, Communications Act of 1934, as amended by the Telecommunications Act of 1996, section 254(b)(3).

CERTIFICATE OF SERVICE

I, Irene Waldorf, do hereby certify that on this 6th day of May, 1996, a copy of the foregoing "Reply Comments of Taconic Telephone Corp." was mailed, first class postage prepaid, to the service list for CC Docket 96-45.



Irene Waldorf